



Panhandle News

BENEWAH, BONNER, BOUNDARY, KOOTENAI & SHOSHONE COUNTIES

ECONOMIC TRENDS

Kootenai County's seasonally adjusted unemployment rate remained steady at 3.7 percent between November and December, considerably below the 5.0 percent rate of December 2004. With the unemployment rate at its lowest level in at least 30 years, many local employers are finding it more difficult to hire and keep qualified workers. This is especially true in the industries that draw their workers from the same labor pool as the construction industry. Employers are offering laborers \$2 to \$3 more per hour than they were two years ago and yet are finding recruitment and retention consuming more of their time and resources. Businesses in the other Panhandle counties also are experiencing similar problems in filling laborer jobs.

Traditionally, more people have moved to the Panhandle when more jobs are available. When fewer jobs were available, fewer workers moved to the area. This automatically kept the unemployment rate at a high, though fairly stable, level. The relatively high unemployment situation resulted in greater competition for jobs, putting downward pressure on wages.

Why is the traditional mechanism for keeping the labor market an employers' market not working? Three possible reasons come to mind. (1) Even though the Panhandle enjoyed strong growth in the 1970s and the 1990s, it never had experienced two years in a row of such high job growth as it did in 2004 and 2005. (2) The number of U.S. citizens in their 20s and 30s — the years when people are most likely to move for jobs — is much smaller than 10 to 20 years ago because the baby boomers now are in their 40s and 50s and the smaller

Panhandle Table 1: Coeur d'Alene MSA Labor Force & Employment Kootenai County

	Dec 2005*	Nov 2005	Dec 2004	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	68,860	68,800	64,210	0.1	7.2
Unemployed	2,550	2,540	3,180	0.4	-19.8
% of Labor Force Unemployed	3.7	3.7	5.0		
Total Employment	66,310	66,260	61,030	0.1	8.7
Unadjusted					
Civilian Labor Force	68,990	68,880	64,520	0.2	6.9
Unemployed	2,760	2,400	3,450	15.0	-20.0
% of Labor Force Unemployed	4.0	3.5	5.3		
Total Employment	66,230	66,480	61,070	-0.4	8.4
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs** - NAICS	53,970	54,190	50,310	-0.4	7.3
Goods-Producing Industries	10,110	10,190	9,320	-0.8	8.5
Natural Resources & Mining	420	420	410	0.0	2.4
Construction	5,300	5,370	4,790	-1.3	10.6
Manufacturing	4,390	4,400	4,120	-0.2	6.6
Wood Product Manufacturing	970	990	980	-2.0	-1.0
Other Manufacturing	3,420	3,410	3,140	0.3	8.9
Service-Providing Industries	43,860	44,000	40,990	-0.3	7.0
Trade, Transportation, & Utilities	10,380	10,300	9,640	0.8	7.7
Wholesale Trade	1,400	1,390	1,200	0.7	16.7
Retail Trade	8,090	8,020	7,430	0.9	8.9
Transportation, Warehousing & Utilities	890	890	1,010	0.0	-11.9
Information	1,030	1,030	1,030	0.0	0.0
Financial Activities	2,760	2,740	2,510	0.7	10.0
Professional & Business Services	6,370	6,430	5,910	-0.9	7.8
Educational & Health Services	5,740	5,680	5,390	1.1	6.5
Leisure & Hospitality	6,410	6,530	5,920	-1.8	8.3
Other Services	1,610	1,620	1,390	-0.6	15.8
Government Education	3,680	3,750	3,540	-1.9	4.0
Government Administration	5,210	5,220	5,050	-0.2	3.2
Government Tribes	670	700	610	-4.3	9.8

* Preliminary estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

"baby dearth" generation — also known as Generation X — is now in its 20s and 30s. The demographics suggest that all parts of the United States are going to find it harder to recruit workers than they did when the baby boomers were in their 20s and 30s. (3) The recent run-up in housing prices in the Panhandle, where prices grew far faster than the rapidly-growing national average, may be preventing young families from moving into many Panhandle communities.

Construction: Too Many Eggs in One Basket?

The high level of construction activity in the United States during the last couple of years has received considerable attention. Between 2003 and 2005, construction jobs in the U.S. grew 10 percent. In the

Idaho Panhandle, construction jobs grew more than four times faster — 45 percent during the same period.

With construction breaking all previous records in the Panhandle, there is some fear the local economy has too many eggs in one basket. If the construction and real estate boom slows down, there is concern that jobs will be lost.

It's true that many of the new jobs in the local economy come from construction and related industries, but many other industries — including manufacturing, tourism and call centers — also have added jobs. About 26 percent of the total nonfarm payroll jobs added in the Panhandle between 2003 and 2005 were in the construction industry. Another 12 percent of the jobs added came from other industries affected by the high level of construction and real estate activities, including title insurance, lending institutions, offices of architects and landscape architects, and retail and wholesale operations selling furniture, flooring, appliances, building materials and construction equipment. The United States, which has been experiencing strong real estate activity and its highest level of housing starts in 30 years, also relied considerably on construction and related industries for its job growth between 2003 and 2005. The construction industry accounted for 16 percent of the total nonfarm payroll jobs added in the United States while related industries accounted for another 10 percent.

Even without construction and jobs in related industries, the Panhandle still would have added 5,200 nonfarm payroll jobs and enjoyed a satisfactory 7 percent job growth rate. With the construction and related jobs, it experienced a remarkable 12 percent

job growth rate. Without construction and related jobs, the United States would have experienced a 2.0 percent job growth rate, instead of the 2.7 percent rate it actually experienced.

If the local construction and real estate boom should come to an abrupt halt, it would cause problems for many individuals, but the Panhandle is likely to continue to see growth in other industries.

If the national housing construction boom came to an abrupt halt, it probably would reduce construction and real estate activity in the Panhandle, too. It also would cause further problems for the Panhandle by reducing the demand for and price of lumber, leading to cutbacks in logging and wood products manufacturing — industries that are at their highest job levels since the mid-1990s. It also might affect the demand for young trees and ornamental bushes grown in the tree nurseries of Boundary and Bonner counties.

Fortunately, neither local nor national markets are expected to see their booms end abruptly. What's most likely to happen is a gradual decline in construction and real estate activity over two or three years.

AREA DEVELOPMENTS

Boundary County

- A new H & R Block office opened in the Bonnerport building in downtown Bonners Ferry in January. Owner Tracey Comeau also owns the H & R Block tax preparation franchise in Libby, Mont.
- Ken's Electronics Repair opened in November near Mile Marker 68 in Moyie Springs, a town of 710 residents. Owner Ken Watson repairs televisions, VCRs, CD players, computer game systems and all other electronic devices.

Panhandle Table 2: Jobs Added in Construction and Related Industries, 2003-2005						
	United States			Panhandle		
	Jobs* 2003	Jobs* 2005	Net Jobs* Added	Jobs 2003	Jobs 2005	Net Jobs Added
Total Nonfarm Payroll Jobs	129,999	133,463	3,464	69,609	77,970	8,361
Construction & Related Industries	14,476	15,364	888	9,022	12,228	3,206
Construction	6,735	7,277	542	4,896	7,093	2,197
Real Estate	1,384	1,456	72	650	763	113
Title Insurance Carriers	106	110	4	227	282	55
Furniture, Flooring, & Appliance Stores	1,060	1,111	51	581	642	61
Building Material & Garden Stores	1,185	1,272	87	1,184	1,561	377
Wholesale Serving Construction Industry	994	1,037	43	325	418	93
Architect & Landscape Architect Services	220	235	15	86	121	35
Banks & Credit Unions	2,792	2,866	74	1,073	1,348	275

* U.S. jobs in thousands

Kootenai County

- Hagadone Hospitality, which transformed the Panhandle's tourism industry when it opened the Coeur d'Alene Resort in 1986, is spending \$20 million on improvements to the resort, including complete renovation of 200 guest rooms. The resort, already renowned for its casual elegance, relaxing atmosphere and great service, is kicking it up a notch by adding a 15,000-square-foot spa. Inside the spa, 22 treatment rooms will pamper guests with facials, therapeutic showers, body wraps and massages. For those seeking self-improvement, the spa will offer cosmetic laser treatments, botox injections and collagen skin enhancements as well as manicures, pedicures and hair styling. The spa, which also will offer exercise equipment and fitness activities, will open in May just before the beginning of the busy summer tourist season. The resort keeps abreast of industry trends, and last year was the first year that the resort industry earned more revenue from spas than golf courses.

Shoshone County

- Although Shoshone County's fate is no longer directly tied to the price of silver, its economy still shines brighter when the price of silver is rising. The price of silver was \$9.70 an ounce in early February. In February 2005, it was \$7.50; in February 2004, \$6.44; in February 2003, \$4.66.
- Hecla Mining's Lucky Friday mine has doubled its silver production over the last two years. Higher silver prices and increased production have allowed the Lucky Friday to increase its employment from 90 in December 2003 to more than 150 employees today. The mine's proven and provable reserves are 17.2 million ounces of silver, enough to keep miners working until at least 2013.
- Despite high silver prices, the fate of the Galena Mine, which employs about 170 people, is clouded

by the recent announcement that it is for sale. Its owner, Coeur Silver Valley Resources, cites the high cost of production at the mine. The Galena and the Lucky Friday are the only two mines that survived the mine closures that have devastated Shoshone County's mineral industries since the early 1980s. In 1981, 2,800 people worked in Shoshone County's mines and another 1,400 worked at the Bunker Hill smelter. Today, 430 people work in the county's mines.

- At the Sunshine Mine on Big Creek, efforts continue that may lead to reopening the most productive silver mine ever. The mine closed in 2001 and was purchased by Sterling Mining in 2003. Sterling has rehabilitated the hoist in the Jewel Shaft that provides primary access to the Sunshine. Hoists carry workers, ore and supplies from and to the surface. In January, construction started on a 4,500-foot tunnel to connect the Sunshine Mine to the existing tunnel that connects the Silver Summit Mine and the Polaris Mine. When it's completed in May 2007, the Sterling Tunnel will provide an emergency exit from the Sunshine, which is among the world's deepest mines. It also will allow creation of diamond drill stations from which miners can explore new ground. If all goes well, the mine may reopen soon after the tunnel is completed. Sterling Mining says the mine's reopening is not contingent on silver prices remaining at their current high levels. They have been planning these actions since they purchased the mine in 2003 when the price of silver was nudging \$5 an ounce. Nearly 300 people worked for the Sunshine at the time it closed.

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